

Message Text

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ACTION DOE-15

INFO OCT-01 EA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 /128 W
-----124694 281108Z /20

P 280850Z AUG 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 1102

C O N F I D E N T I A L JAKARTA 11683

E.O. 11652: GDS
TAGS: ENRG, ID
SUBJECT: PAC-INDO LNG CONTRACTS

REF: (A) JAKARTA 11427, (B) STATE 216982

1. MINISTER OF MINES AND ENERGY SUBROTO HAS STATED PUBLICLY THAT CURRENT GOI POSITION ON REVISED PRICE ESCALATOR FORMULA IN PAC-INDO CONTRACTS IS FINAL, AND THAT IF FAVORABLE U.S. DECISION ON ESCALATOR IS NOT FORTHCOMING BY OCTOBER, THE GOI WILL SEEK OTHER BUYERS FOR THE GAS. FAILING THAT, SUBROTO HAS SAID INDONESIA WILL KEEP THE GAS IN THE GROUND FOR FUTURE USE. IN MEANTIME, SUBROTO ASKED THAT "FUSS" NOT BE MADE OVER LNG.

2. SUBROTO MADE THIS ANNOUNCEMENT TO THE PRESS FOLLOWING A MEETING WITH VICE PRESIDENT MALIK, AND IN WAKE OF EXPRESSIONS OF CONCERN ABOUT THE STATUS OF THE LNG CONTRACTS FROM MEMBERS OF INDONESIA'S PARLIAMENT. MEMBERS OF PARLIAMENT HAVE BEGUN TO QUESTION PAST HANDLING OF THE CONTRACTS BY BOTH THE USG AND GOI WITH SOME SUGGESTION THAT USG IS USING THE LNG NEGOTIATIONS TO PLACE POLITICAL
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PRESSURE ON INDONESIA.

3. EMBASSY COMMENT: BASED ON CONVERSATION WITH MEMBER OF SUBROTO'S STAFF, IT APPEARS THE ANNOUNCEMENT OF THIS "DEADLINE" HAS THE DUAL PURPOSE OF SEEKING TO MUTE PARLIAMENT'S GROWING CONCERN OVER THIS QUESTION AND OF PROJECTING IMAGE OF FIRMNESS

IN GOI DEALINGS WITH US ON LNG. EMBASSY OFFICER
WAS TOLD SUBROTO IS CONCERNED THAT PARLIAMENT'S
INTEREST IN THE SUBJECT COULD "GET OUT OF HAND",
NOT ONLY HAMPERING GOI'S ABILITY TO MAKE FURTHER
COMMITMENTS ON THE CONTRACTS BUT PERHAPS REQUIRING
DETAILED EXECUTIVE JUSTIFICATION OF PAST DECISIONS.
SAME SOURCE EMPHASIZED THAT INDONESIA WANTS VERY
MUCH TO REACH AGREEMENT BUT CANNOT AFFORD FOR POLIT-
ICAL REASONS TO CONTINUE TO BE SEEN WAITING FOR U.S.
DECISION WHICH IN ANY CASE MAY BE UNFAVORABLE, THERE-
BY CAUSING GOI SOME EMBARRASSMENT AT HOME AND INTER-
NATIONALLY. EMBASSY IS SEEKING APPOINTMENT WITH
SUBROTO AND HAS SCHEDULED MEETING WITH PERTAMINA
PRESIDENT HARYONO TO CONVEY SUBSTANCE OF REFTTEL B.
GARDNER

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NNN

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